

# South Carolina Board of Economic Advisors

## Statement of Estimated State Revenue Impact

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**Date:** February 12, 2007

**Bill Number:** S. 184

**Author:** Gregory

**Committee Requesting Impact:** Finance

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### Bill Summary

A bill to amend Section 12-4-580, as amended, Code of Laws of South Carolina, 1976, relating to authority of the Department of Revenue to contract to collect an outstanding liability owed to a governmental entity, so as to limit the department's wage garnishment powers to collection of an outstanding tax liability and to define "outstanding tax liability owed a governmental entity".

### REVENUE IMPACT <sup>1/</sup>

This bill is expected to reduce state and local revenue by \$1,934,419 during FY 2007-08. Of this total, \$1,913,244 would be a reduction in local governmental agency revenue and \$21,175 would be a reduction in state agency revenue.

### Explanation

This bill limits the Department of Revenue's (DOR) power to garnishee the wages of a delinquent taxpayer for outstanding tax liability owed to state and local governmental agencies. Under the current §12-4-580, DOR can use its garnishment powers to collect any outstanding liability, tax or otherwise, owed to a governmental agency. In FY 2005-06, DOR reports that its Governmental Enterprise Accounts Receivable (GEAR) collections program as allowed pursuant to §12-4-580 collected \$2,330,625 for state and local governmental agencies. Almost all of the collections were for non-tax liabilities. DOR states that 83% or \$1,934,419 of the total collections was from garnished wages. We expect that the GEAR program is a last resort for these state and local governmental agencies as the GEAR program's cost of collections are generally higher than the costs incurred under other collection activities such as the Setoff Debt Collection Act. We expect limiting DOR's wage garnishment powers to outstanding tax liabilities only could reduce state and local revenue by \$1,934,419 during FY 2007-08. Of this total, \$1,913,244 would be a reduction in local governmental agency revenue and \$21,175 would be a reduction in state agency revenue.

/s/WILLIAM GILLESPIE

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<sup>1/</sup> This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact, or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.